

Windsor Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

SAVANNA

RESOURCES LTD.



DECEMBER 31, 1997
ANNUAL REPORT



CORPORATE PROFILE

Savanna Resources Ltd. is an Alberta incorporated international mineral exploration company based in Calgary, Canada. The Company owns the Turner-Albright gold, copper, zinc and cobalt deposit located in southwest Oregon and interests ranging from 50 to 75 percent in 110,000 hectares of exploration permits located in the Trans-Amazonian greenstone gold belt in Suriname.

The Company's shares are traded on the Alberta Stock Exchange under the symbol SV.

TABLE OF CONTENTS

President's Report to the Shareholders.....	1
Auditors' Report	4
Financial Statements.....	5
Corporate Information	Inside Back Cover

ANNUAL GENERAL MEETING

The annual general meeting of shareholders of Savanna Resources Ltd. will be held on June 23, 1998 at 2:00 p.m. at The Westin Hotel, 320 - 4th Avenue S.W., Calgary, Alberta.

FRONT COVER

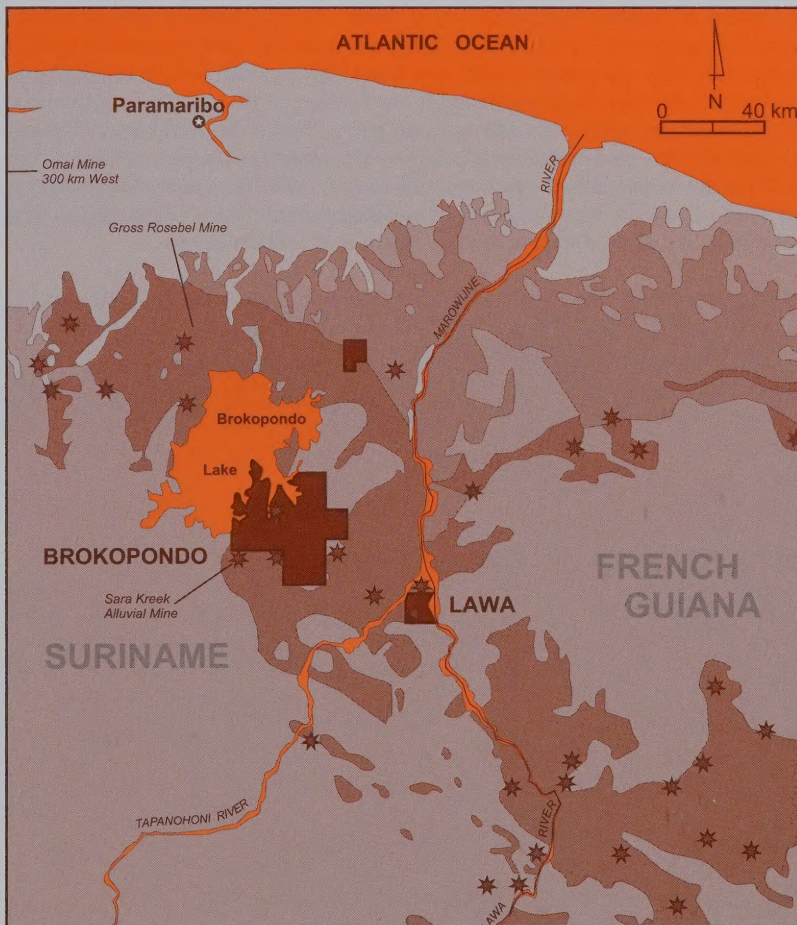
Trench through saprolite, Brokopondo permit area

PRESIDENT'S REPORT TO THE SHAREHOLDERS

Savanna Resources Limited is moving forward into an exciting year. Gold prices are recovering and the Company has begun developing an extensive land position on what may become one of the most interesting gold bearing greenstone belts of the decade. The coming year will be a period of growth and transition, as we take on the task of bringing a property into production.

Our prime objective will be to remain focused on the core business, the acquisition of gold assets. This will be carried out on two fronts: the evaluation of new permit areas and the ongoing systematic development of presently owned permits to further define mineable reserves.

We are extremely pleased with the involvement of our host country of Suriname and the various government agencies, companies and townspeople dealt with on a daily basis. Their commitment to the development of the properties, and ultimately the country as a whole, is excellent.





Exploration Activities

In 1996 Savanna's management team became focused on acquiring a new project that would allow for company growth and increased shareholder value. Following a review of various Precambrian Shield areas of the world attention narrowed to a greenstone belt within the Guiana Shield of South America which has received relatively little exploration, yet historically has produced millions of ounces of gold from surface mining dating back to the 1600's. The bedrock showings throughout this belt are similar to those of the Canadian Precambrian gold mining camps.

In partnership with two Suriname companies, Savanna has acquired the exploration rights to over 110,000 hectares of permits strategically located within this gold-bearing greenstone belt in eastern Suriname (formerly Dutch Guyana). Savanna holds the option on a 75 percent interest in both bedrock and alluvial gold on the large Brokopondo permit along the east side of Brokopondo Lake and 56.25 percent interest in one smaller block of land to the north. On the Lawa permit to the southeast the Company holds a 60 percent interest in bedrock gold and a 50 percent interest in alluvial gold. Additional permits are being actively pursued and will increase Savanna's presence in the area.

The independent nation of Suriname lies at the top of South America, between Guyana to the west, French Guiana to the east and Brazil to the south. The occurrence of gold was first documented by the Europeans in 1687; the rich alluvial deposits discovered around Sara Kreek (Brokopondo permit) and the Lawa River in the 1800's are the source areas for many large gold nuggets, one weighing 6300 g (200 oz). Suriname can be divided into a crystalline basement, or shield area, and a coastal plain. Within the shield area, the Trans-Amazonian metavolcanic/metasedimentary greenstone belt hosts numerous mineralized bedrock showings typical of known gold belts elsewhere in the world, with the gold occurring in quartz flooded, pyritic, altered rocks and structures. Over 60 million years of tropical weathering and meandering streams over this topographically flat area has produced a blanket of gold bearing alluvium, much of which is of economic grade.



Bridge across Suriname River

The Lawa permit is the most advanced of the two properties. Initial results based on a bulk sampling and test pit program have established proven and probable reserves of 1,300,000 m³ averaging 4.2g/m³. Possible reserves based on geological evidence and stream sediment sampling are calculated at 4,200,000 m³ and are conservatively expected to run better than 2g/m³. These reserves are surrounded by a potential resource of 19,700,000 m³ expected to average at least 1g/m³. Currently the 20 m³/hr Alaskan miner is being set up to commence the mining operation. Savanna proposes to initiate a full scale recovery project by adding a 60 m³/hr Alaskan to the operation at the higher grade pit area. Management plans to utilize the cash flow from the Lawa alluvial operation to finance ongoing exploration of the bedrock gold bearing structures, ultimately leading to the definition of in-situ source deposits.

On the Brokopondo permit a stream sampling program has defined areas anomalous in gold. The Company is now monitoring the numerous local miners working on the permit by licensing their operations. Data from these workings, supplemented by the stream sediment survey will provide valuable control for defining areas of economic alluvial accumulations and ultimately bedrock deposits. It is anticipated that in due course the alluvials will be mined using the same system as on the Lawa permit, with cash flow once again financing bedrock reserve studies.

OTHER PROPERTIES

Savanna owns the Turner-Albright copper-zinc-cobalt-gold deposit in southwestern Oregon. The Turner-Albright deposit represents a significant mineral reserve, and preliminary work indicates that it could support a 400 ton per day mine-mill operation at current prices. The potential for adding to the reserves is high, as the ore zones and steeply inclined controlling structures are open at depth.



Dugout canoes on Tapanahoni River, Lawa Permit

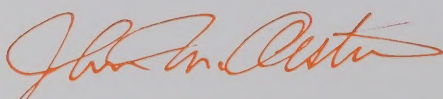
MANAGEMENT REPORT

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the consolidated financial statements. Consolidated financial statements include certain amounts based on estimates and judgments. Management had determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

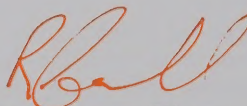
Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safe-guarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

BDO Dunwoody, the external auditors, conduct an independent examination of the consolidated financial statements in accordance with generally accepted auditing standards in order to express their opinion of the consolidated financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and such tests and procedures as considered necessary to provide reasonable assurance that the consolidated financial statements are presented fairly.

The audit committee of the Board of Directors, with a majority of its members being outside directors, have reviewed the consolidated financial statements including notes thereto, with management and BDO Dunwoody. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the audit committee.



John M. Alston,
Chairman, President & CEO



Richard D. Carmichael C.A.
Secretary - Treasurer & CFO

AUDITORS' REPORT TO SHAREHOLDERS

TO THE SHAREHOLDERS OF SAVANNA RESOURCES LTD.

We have audited the consolidated balance sheets of Savanna Resources Ltd. as at December 31, 1997 and June 30, 1997, and the consolidated statements of loss and deficit and changes in financial position for the six months and year then ended, respectively. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and June 30, 1997, and the results of its operations and the changes in its financial position for the six months and year then ended, respectively in accordance with generally accepted accounting principles.

Calgary, Alberta
May 8, 1998

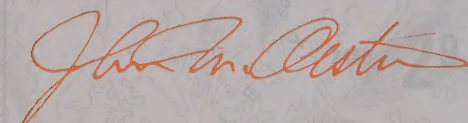


BDO Dunwoody
Chartered Accountants

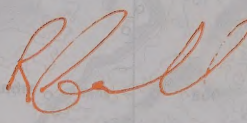
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 1997 AND JUNE 30, 1997

	December 31 1997	June 30 1997
ASSETS		
CURRENT		
Cash	\$ ---	\$ 13,824
Accounts and advances receivable	141,881	325,668
Marketable securities	---	70,238
Current portion of notes receivable	---	48,834
	141,881	458,564
DUE FROM AFFILIATED COMPANIES, note 7	18,006	---
NOTES RECEIVABLE, note 3	250,000	250,000
INVESTMENT IN RHONDA MINING CORPORATION, note 4	928,961	2,029,388
CAPITAL ASSETS, note 5	108,111	114,053
MINERAL PROPERTIES AND DEFERRED COSTS, note 6, schedule	9,964,710	10,336,788
	\$ 11,411,669	\$ 13,188,793
LIABILITIES		
CURRENT		
Bank overdraft	\$ 55,444	\$ ---
Accounts payable and accrued liabilities	178,906	200,145
	234,350	200,145
DUE TO AFFILIATED COMPANIES	---	1,935,252
NON-CONTROLLING INTEREST, note 8	132,720	1,257,998
	367,070	3,393,395
SHAREHOLDERS' EQUITY		
SHARE CAPITAL, note 9	38,508,137	30,461,189
DEFICIT	(27,463,538)	(20,665,791)
	11,044,599	9,795,398
	\$ 11,411,669	\$ 13,188,793

APPROVED ON BEHALF OF THE BOARD:



John M. Alston
Director



Richard D. Carmichael C.A.
Director

The accompanying notes are an integral part of these financial statements

**CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997
AND THE YEAR ENDED JUNE 30, 1997**

	December 31 1997	June 30 1997
REVENUE		
Oil and gas royalties	\$ 10,411	\$ 12,194
Management fee	60,000	193,512
Interest income	7,624	6,838
Other	---	60,170
	78,035	272,714
EXPENSES		
Administrative	215,078	263,247
Amortization and depletion	9,239	21,299
	224,317	284,546
OPERATING LOSS	(146,282)	(11,832)
OTHER		
Write down of property	(894,460)	---
Write down of investment	(3,102,325)	---
Foreign exchange gain (loss)	18,275	(10,202)
Gain on disposal of marketable securities	1,299	---
Gain (loss) on investment	(2,674,701)	439,944
Non-controlling interest in (income) losses of subsidiary companies	447	(3,813)
Share of gain (loss) in an affiliated company, accounted for on the equity basis	---	(210,874)
NET INCOME (LOSS) FOR THE PERIOD	(6,797,747)	203,223
DEFICIT, Beginning of period	(20,665,791)	(20,869,014)
DEFICIT, END OF PERIOD	\$ (27,463,538)	\$ (20,665,791)
INCOME (LOSS) PER SHARE	\$ (0.075)	\$ 0.002

**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997
AND THE YEAR ENDED JUNE 30, 1997**

	December 31 1997	June 30 1997
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operations		
Net income (loss) for the period	\$ (6,797,747)	\$ 203,223
Items not involving cash:		
Amortization	9,239	21,299
Non-controlling interests' share of income (losses)	(447)	3,813
Loss (Gain) on investment in affiliated company	2,674,701	(439,944)
Write down of investment	3,102,325	---
Share of loss in an affiliated company	---	210,874
Write down of property	894,460	---
Gain on disposal of marketable securities	(1,299)	---
	(118,768)	(735)
Changes in non-cash working capital balances:		
Accounts receivable	187,787	(262,219)
Notes receivable	48,834	(46,546)
Accounts payable	(21,239)	35,883
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	92,614	(273,617)
FINANCING ACTIVITIES		
Issue of share capital	800,000	800,000
Due to affiliated company	(1,953,258)	821,598
Proceeds from sale of shares of affiliated company	1,920,000	168,020
CASH PROVIDED BY FINANCING ACTIVITIES	766,742	1,789,618
INVESTING ACTIVITIES		
Notes receivable	---	(201,880)
Acquisition of shares of subsidiary	(239,038)	---
Acquisition of shares of affiliated company	(235,441)	(299,875)
Acquisition of marketable securities	(159,774)	(70,238)
Proceeds on disposal of marketable securities	231,307	---
Proceeds on disposal of mineral properties	---	73,754
Adjustment of interest in affiliated company due to reciprocal shareholdings	(7,246,948)	(53,726)
Acquisition of capital assets	(3,296)	(40,981)
Increase (reduction) of equity due to reciprocal shareholdings	7,246,948	114,376
Acquisition of mineral properties and expenditures on mineral properties	(522,382)	(1,010,869)
CASH USED BY INVESTING ACTIVITIES	(928,624)	(1,489,439)
INCREASE (DECREASE) IN CASH	(69,268)	26,562
CASH (BANK OVERDRAFT), Beginning of period	13,824	(12,738)
CASH (BANK OVERDRAFT) END OF PERIOD	\$ (55,444)	\$ 13,824

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1997 AND JUNE 30, 1997

1. NATURE OF OPERATIONS

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company:

(a) Going Concern

The accompanying financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at the date of issue of these financial statements, the Company is in a deficit position from accumulated operating losses and was experiencing a negative cash flow from ongoing operations and, therefore, its ability to meet future commitments on mining properties is not assured.

Continuation of the Company as a going concern is dependent upon obtaining additional capital. The financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

Although successful resolution of these uncertainties is not assured, management is of the opinion that additional capital can be raised.

(b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries as follows:

	December 31 1997	Ownership	June 30 1997
Baretta Mining Inc. (Note 8 and 11(d))	97.8%		72.7%
Baretta International Limited	100%		100%
Island Copper Company	100%		100%
Mable Lake Ventures Ltd.	---		100%
Turner-Albright Holdings Inc.	100%		100%
During the period, Mable Lake Ventures Ltd. was dissolved.			

(c) Investments

When the Company has significant influence over its investments, they are accounted for by the equity method. The investment is initially recorded at cost and adjusted for the Company's share of profits or losses from the investment date. When the Company ceases to exercise significant influence over an investment, it is accounted for by the cost method on a prospective basis.

(d) Marketable Securities

Marketable Securities are valued at the lower of cost and market.

(e) Capital Assets

Capital assets are recorded at cost. Amortization is computed using the declining balance method (straight-line method for leasehold improvements), with rates varying from 20% - 30%.

(f) Mineral Properties and Deferred Costs

Costs of acquisition and development of mineral properties are capitalized on an area of interest basis. Amortization of these costs will be on a unit of production basis, based on estimated proven reserves of minerals of the areas should such reserves be found. If an area of interest is abandoned or management has indicated that further development appears unlikely, the costs thereto will be charged to income in the year.

(g) Foreign Currency

Foreign currency accounts are translated to Canadian dollars as follows:

Revenues and expenses at the average rates of exchange during the year, non-monetary assets and liabilities at the rates in effect at dates of the transaction, and monetary assets and liabilities at rates in effect at the end of the year. Resulting foreign exchange gains and losses are included in income in the current period, except for unrealized foreign currency gains and losses on long term monetary assets, which are reported as a deferred charge and amortized over the remaining life of the related items on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND JUNE 30, 1997

(h) **Flow-through Shares**

Expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through arrangements are renounced to investors in accordance with income tax legislation. Mineral properties and share capital are reduced by the estimated cost of the renounced tax deductions when the expenditures are incurred and renounced.

(i) **Financial Instruments**

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable, and due to affiliated companies. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of the Company's financial instruments approximates their carrying values unless otherwise noted.

3. NOTES RECEIVABLE

	December 31 1997	June 30 1997
Note receivable, repayable \$560 per month, principle and interest secured by land and building, interest at 9% per annum	\$ ---	\$ 48,834
Unsecured note receivable, due December 31, 1999, interest payable at prime rate.	250,000	250,000
	250,000	298,834
Less: Current portion	---	(48,834)
	\$ 250,000	\$ 250,000

4. INVESTMENT IN RHONDA MINING CORPORATION

The investment in Rhonda reflects the carrying value on the books of the Company's 7% (June 30, 1997 - 26.2%) interest. The Company increased the carrying value of its investment in Rhonda and share capital (note 9(b)) by \$7,246,948 to reverse previous adjustments for reciprocal shareholdings. The Company's interest in Rhonda has been written down to fair market value at December 31, 1997 of \$0.80 per share.

5. CAPITAL ASSETS

	December 31 1997		June 30 1997
	Cost	Accumulated Amortization	Cost
Land	\$ 40,597	\$ ---	\$ 40,597
Equipment and furniture	127,076	84,106	123,780
Leasehold improvements	35,063	10,519	35,063
	202,736	94,625	199,440
Cost less accumulated amortization	\$108,111		\$114,053

6. MINERAL PROPERTIES AND DEFERRED COSTS

As certain of the Company's properties are located in Suriname they are subject to the laws of that jurisdiction and therefore carry inherent political risk. The Company is satisfied that rights to mineral properties are valid and are not subject to any environmental constraints under present legislation.

(a) **Turner-Albright Property**

Baretta Mining Inc. holds a 100% ownership interest in the fee lands containing the sulphide deposit and a 100% ownership interest in the claims surrounding the fee lands in the Turner-Albright property located in Josephine County, Oregon, USA.

(b) **Foxe Basin**

During the period the Company determined it would not perform additional exploration in this area and therefore has written off the costs incurred to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND JUNE 30, 1997

(c) Suriname

Baretta International Limited, a wholly owned subsidiary has entered into an option and joint venture agreement through which it could earn a 75% interest in properties located in Suriname, South America by spending US \$2,250,000 as follows:

- a) US \$100,000 on or before March 31, 1997
- b) US \$300,000 prior to December 31, 1997
- c) US \$850,000 prior to December 31, 1998, and
- d) US \$1,000,000 prior to December 31, 1999

In the event Baretta International Limited terminates the agreement prior to exercising its option, it will retain the following interest in the property based on cumulative advances to date as follows:

Cumulative US \$500,000	48.75%
Cumulative US \$1,000,000	56.25%
Cumulative US \$1,500,000	60.00%
Cumulative US \$2,000,000	67.50%

As at December 31, 1997, Baretta International Limited has spent approximately US \$500,000 which is in accordance with the above terms.

7. DUE FROM AFFILIATED COMPANIES

The amount is due from Rhonda Mining Corporation and its affiliates. The amount is non-interest bearing and due on demand. Rhonda is an investee corporation having common directors and management.

8. NON-CONTROLLING INTEREST

	December 31 1997	June 30 1997
Balance, beginning of period	\$ 1,257,998	\$ 1,163,043
Decrease due to purchase of additional interest (note 11(d))	(239,038)	---
Increase (decrease) due to reciprocal shareholdings (note 9(b))	(885,793)	91,142
Non-controlling interest's share of net (income) losses for the period	(447)	3,813
Balance, end of period	\$ 132,720	\$ 1,257,998

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares, first preferred shares and second preferred shares.

(b) Issued:

Common shares

	December 31 1997		June 30 1997	
	Number	Amount	Number	Amount
Issued, beginning of period	90,108,354	\$ 37,708,137	82,108,554	\$ 36,908,137
Issued through private placement for cash	---	---	8,000,000	800,000
Issued on exercise of warrants in exchange for repayment of debt	8,000,000	800,000	---	---
Issued, end of period	98,108,354	38,508,137	90,108,354	37,708,137
Shares held by an affiliated company:				
Shares held, beginning of period	(31,751,000)	(7,246,948)	(32,513,500)	(7,361,324)
Shares sold during the period	---	---	762,500	114,376
Reversal of reciprocal interest	31,751,000	7,246,948	---	---
Shares held by an affiliate, end of period	---	---	(31,751,000)	(7,246,948)
Adjusted share capital, end of period	98,108,354	\$ 38,508,137	58,357,354	\$ 30,461,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1997 AND JUNE 30, 1997

The Company and Rhonda Mining Corporation (note 4) had reciprocal shareholdings, however, during the period the Company sold the majority of its interest in Rhonda. The Company now accounts for its interest on the cost basis. Share capital has been adjusted to reverse a reduction for the number of issued shares that Rhonda Mining Corporation held in this Company.

(c) Employee Stock Option Plan

The total number of shares optioned according to the Employee Stock Option Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting. The option price per share shall be determined by the Board of Directors at the time that the option is granted in compliance with Circular No. 6 as amended, of the Alberta Stock Exchange. No options were granted or cancelled during the period. As at December 31, 1997, the following options were outstanding:

40,000 common shares at \$0.25 per share expiring August 4, 2000

5,560,000 common shares at \$0.10 per share expiring November 8, 2001

(d) Warrants

During the period warrants totalling 8,000,000 shares were exercised for total proceeds of \$800,000. As at December 31, 1997 no warrants were outstanding.

10. INCOME TAXES

Under Canadian Income Tax Law, development and exploration expenditures are subject to certain restrictions on deductibility. The Company has total Canadian and foreign expenditures of approximately \$ 9,955,000 (June 30, 1997 - \$ 7,292,000) available at December 31, 1997, to be carried forward to reduce future taxable income. The Company and the Canadian subsidiaries have total net capital losses of approximately \$10,300,000 (June 30, 1997 - \$ 3,410,000) and total non-capital losses of \$ 547,000 (June 30, 1997 - \$ 927,000) which may be carried forward to reduce future taxable income in the Canadian companies.

The US subsidiaries have total losses of approximately \$ 1,992,000 US (June 30, 1997 - \$2,507,000 US) which may be carried forward to reduce future federal taxable income in the US companies.

The right to claim the Canadian non-capital losses expires as follows: \$186,000 in 1998, \$73,000 in 1999, \$114,000 in 2000 and \$174,000 after 2000.

The difference between the Company's effective tax rate of 44% and the tax provision provided of \$ nil is due to unrecorded tax recoveries and loss carryovers.

11. RELATED PARTY TRANSACTIONS

During the period ended December 31, 1997, the Company:

- (a) received \$331,525 from Rhonda Mining Corporation in respect of overhead charges;
- (b) received \$15,323 from Kimmswick Diamonds Inc. in respect of overhead charges;
- (c) charged Rhonda Mining Corporation a management fee of \$60,000;
- (d) purchased from Rhonda Mining Corporation 3,975,000 shares of Baretta Mining Inc. for \$234,220, which was the carrying value of these shares.

During the year ended June 30, 1997, the Company:

- (a) received \$461,263 from Rhonda Mining Corporation in respect of overhead charges;
- (b) received \$89,992 from Altmak Energy Inc. in respect of overhead charges;
- (c) received \$29,831 from Kimmswick Diamonds Inc. in respect of overhead charges;
- (d) charged Rhonda Mining Corporation a management fee of \$240,000;

Included in accounts receivable as at December 31, 1997 is \$60,905 (June 30, 1997 - \$201,952) due from directors and officers of the Company. All related party transactions have been recorded at the exchange amount.

12. REMUNERATION OF DIRECTORS AND OFFICERS

During the period ended December 31, 1997, the Directors and Officers of the Corporation received salaries totalling \$210,000 (June 30, 1997 - \$399,000). The Company has been reimbursed for \$161,250 of these salaries by Rhonda Mining Corporation and its affiliates.

As at December 31, 1997, the Officers and Directors held stock options totalling 5,440,000 (June 30, 1997 - 5,440,000) common shares at an exercise price of \$0.10 per shares.

No stock options were exercised during the period ended December 31, 1997.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1997 AND JUNE 30, 1997

13. SEGMENTED INFORMATION

Financial information segmented according to geographical area is:

December 31, 1997	Canada	Foreign	Consolidation Adjustments	Consolidated
Income (loss) for the period	\$(13,237,628)	\$ (78,268)	\$ 6,518,149	\$ (6,797,747)
Identifiable Assets	3,005,408	8,002,257	404,004	11,411,669
June 30, 1997	Canada	Foreign	Consolidation Adjustments	Consolidated
Income (loss) for the year	\$ 495,518	\$ (6,120)	\$ (286,175)	\$ 203,223
Identifiable Assets	17,707,590	7,733,997	(12,252,794)	13,188,793

14. COMMITMENT

The Company is committed to payments under a lease agreement on office space which expires March 31, 2002. Minimum annual lease payments are required as follows: 1998 \$37,475; 1999 \$38,444; 2000 \$41,675; 2001 \$44,583; and 2002 \$11,307.

15. SUBSEQUENT EVENT

Subject to regulatory approval, the Company has issued 1,550,000 options to purchase common shares under the terms of its Employee Stock Option Plan. The options have been granted to employees at an exercise price of \$0.10 per share expiring April 27, 2003 and May 7, 2003.

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES FOR THE SIX MONTHS ENDED DECEMBER 31, 1997

	Opening	Abandonments/ Expenditures	Closing
CANADA			
NORTHWEST TERRITORIES			
Foxye Basin			
Acquisition	\$ 248,072	\$ (248,072)	\$ ---
Exploration	646,344	(646,344)	---
	894,416	(894,416)	---
MISCELLANEOUS	43	(43)	---
TOTAL CANADIAN	\$ 894,459	\$ (894,459)	\$ ---
UNITED STATES			
OREGON			
Turner-Albright			
Acquisition	\$ 6,885,158	\$ ---	\$ 6,885,158
Exploration	1,554,773	4,516	1,559,289
TOTAL UNITED STATES	\$ 8,439,931	\$ 4,516	\$ 8,444,447
SOUTH AMERICA			
Suriname			
Acquisition	\$ 926,704	\$ 319,729	\$ 1,246,433
Exploration	75,694	198,136	273,830
TOTAL SOUTH AMERICA	\$ 1,002,398	\$ 517,865	\$ 1,520,263
TOTAL	\$ 10,336,788	\$ (372,078)	\$ 9,964,710

During the year ended June 30, 1997, total expenditures for mineral properties and deferred costs were \$1,010,869 and dispositions and write downs were \$73,754.

CORPORATE INFORMATION

BOARD OF DIRECTORS

John M. Alston
President and Chief Executive Officer

Glen R. Alston
Vice-President

Richard D. Carmichael, C.A.
Secretary-Treasurer and Chief Financial Officer

Bruce J. Murray
Landman

Thomas W. Whittingham
Business and Energy Consultant

OFFICERS

John M. Alston
President and Chief Executive Officer

Glen R. Alston, B.Comm.
Vice-President

Richard D. Carmichael, C.A.
Secretary-Treasurer and Chief Financial Officer

TRANSFER AGENT

Montreal Trust
#600, 530 - 8 Avenue SW
Calgary, Alberta T2P 3S8

AUDITORS

BDO Dunwoody
#1500, 800 - 6 Avenue SW
Calgary, Alberta T2P 3G3

BANKERS

Royal Bank of Canada
355 - 8 Avenue SW
Calgary, Alberta T2P 2N5

STOCK EXCHANGE

Listed: Alberta Stock Exchange
Calgary, Alberta
Trading Symbol: SV

INVESTOR CONTACT

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Vice-President
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